

Message Text

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ACTION SS-30

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FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC IMMEDIATE 9009

C O N F I D E N T I A L SANTIAGO 3507

EXDIS

E.O. 11652: GDS

TAGS: EIND, CI

SUBJECT: ANACONDA

REFS: (A) SANTIAGO 3497; (B) STATE 120407

1. SUMMARY: ADMIRAL MERINO GIVES ASSURANCES GOC WILL NOT PLAY "DIRTY TRICK" ON U.S. AND THAT GOC CONSTITUTIONAL PROBLEM "MANAGEABLE". HE ALSO REFERS TO ANACONDA TALKS BEGINNING SANTIAGO TODAY AS "FINAL PHASE". END SUMMARY.

2. I CALLED ON JUNTA MEMBER MERINO AT 11:30 A.M. TODAY, JUNE 17. EXPLAINING THAT I WAS SPEAKING UNDER INSTRUCTIONS, I MADE DEMARCHE ALONG LINES PARA TWO REF (B).

3. ADMIRAL MERINO SAID HE ALREADY AWARE OF USG CONCERN ABOUT CONCEPT OF APPLYING A RETROACTIVE DEDUCTION FOR "EXCESS PROFITS." HE SAID HE UNDERSTOOD OUR OPPOSITION TO IT AS A POSITION OF BASIC PRINCIPLE AND THE REASONS UNDERLYING THAT POSITION. HE SAID USG SHOULD NOT BE CONCERNED. GOC HAS NO INTENTION OF PLAYING A "DIRTY TRICK" ON USG AND ANACONDA CASE WILL BE SETTLED "IN ACCORDANCE WITH THE LAW."

4. I SAID I ASSUMED HIS REFERENCE TO THE LAW WAS TO INTERNATIONAL LAW. MERINO REPLIED THAT HE MEANT INTERNATIONAL LAW AND THE CHILEAN CONSTITUTION.

5. I INQUIRED WHETHER IT WAS NOT PRECISELY THE CHILEAN CONSTITUTION
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WHICH CREATED THE OBSTACLE TO SETTLEMENT OF A RETROACTIVE DEDUCTION

FOR SO-CALLED "EXCESS PROFITS." MERINO SAID THAT WAS SO IN PART BUT AGAIN ASSURED ME THE USG SHOULD NOT BE CONCERNED SINCE THE

CONSTITUTIONAL PROBLEM IS "MANAGEABLE."

6. I SAID I WAS PLEASED TO HAVE HIS ASSURANCES AND WOULD CONVEY THEM TO MY GOVERNMENT.

7. AS I TOOK MY LEAVE, ADMIRAL MERINO REMARKED THAT ANACONDA REPRESENTATIVES ARE NOW IN SANTIAGO TO BEGIN TODAY THE "FINAL PHASE" OF THIS NEGOTIATION.

8. RE PARA SIX REF (B), IN THE COURSE OF OUR TALK I ASKED ADMIRAL MERINO ABOUT GOC ORGANIZATION FOR HANDLING COPPER COMPENSATION. MERINO SAID THAT PHILIPPI AND SAEZ ARE RESPONSIBLE TO THE JUNTA IN THIS MATTER. PHILIPPI IS SUPPORTED BY A MINISTRY OF MINES TEAM, INCLUDING CODELCO PERSONNEL AND OTHER SPECIALISTS IN COPPER MATTERS. THIS EXPLANATION COINCIDES WITH MY PREVIOUS UNDERSTANDING.

9. COMMENT: MERINO TOOK DEMARCHE COMPLETELY IN STRIDE AND WAS CORDIAL AND UNRUFFLED THROUGHOUT OUR TALK. HE GAVE NO HINT AS TO HOW ANACONDA SETTLEMENT IS TO BE ACHIEVED. HOWEVER, HE GAVE EVERY INDICATION OF CONFIDENCE THAT IT WILL BE ACHIEVED AND IN A WAY WHICH WILL NOT COMPROMISE USG PRINCIPLE OF OPPOSITION TO APPLICATION OF RETROACTIVE DEDUCTION FOR SO-CALLED EXCESS PROFITS. THOMPSON

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